

2014

## Opening Remarks, October 4, 2013 Symposium: Resolving IP Disputes: Calling for an Alternative Paradigm

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### Recommended Citation

James Levin, *Opening Remarks, October 4, 2013 Symposium: Resolving IP Disputes: Calling for an Alternative Paradigm*, 2014 J. Disp. Resol. (2014)

Available at: <https://scholarship.law.missouri.edu/jdr/vol2014/iss1/2>

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# JOURNAL OF DISPUTE RESOLUTION

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VOLUME 2014

NUMBER 1

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## SYMPOSIUM

### Resolving IP Disputes: Calling for an Alternative Paradigm

#### Opening Remarks, October 4, 2013

*James Levin\**

My name is Jim Levin, and I am the Associate Director of the Center for the Study of Dispute Resolution at the University of Missouri School of Law. On behalf of my colleague, Dennis Crouch, the Journal of Dispute Resolution and the University of Missouri School of Law, I want to welcome you to this symposium: *Resolving IP Disputes: Calling for an Alternative Paradigm*. I want to offer a special welcome to our speakers, not just for participating today but for their upcoming contributions to the 2014 Symposium Edition of the Journal of Dispute Resolution<sup>1</sup>, the first law school journal dedicated to the field of dispute resolution. I also want to thank Turner Boyd and Patent Docs for sponsoring our breakfast and our reception today.

Last fall, the *New York Times Sunday Magazine* had a short article about the pencil in their “*Who Made That*” section.<sup>2</sup> The article explained that, in 1858, Hymen Lipman became the first person to physically attach rubber atop a pencil, creating a pencil similar to those sold around the United States today.<sup>3</sup> Lipman filed his invention with the United States Patent and Trademark Office (USPTO) and was awarded Patent No. 19,783.<sup>4</sup> Mr. Lipman then sold his patent to an entrepreneur named Joseph Reckendorfer for \$100,000. That \$100,000 would be worth almost \$2 million in 2014 dollars.<sup>5</sup>

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\* James Levin is the Associate Director of the Center for the Study of Dispute Resolution, Director of the Mediation Clinic, and an Adjunct Professor of Law at the University of Missouri School of Law.

<sup>1</sup> 2014 J. DISP. RESOL. 1 (2014).

<sup>2</sup> Pagan Kennedy, *Who Made That Built-In Eraser?*, N.Y. TIMES SUN. MAG. (Sept.13, 2013), at 24.

<sup>3</sup> *Id.* at 25.

<sup>4</sup> U.S. Patent No. 19,783 (issued Mar. 30, 1858).

<sup>5</sup> Kennedy, *supra* note 2, at 25.

Just as Reckendorfer was beginning to market his pencil, the much larger Farber Company began to market a similar pencil with an attached rubber eraser.<sup>6</sup> Lipman brought an infringement action against the Farber Company but ultimately lost when the United States Supreme Court, in 1875, ruled that the patent was invalid because the invention was a mere combination of two known technologies.<sup>7</sup> I do not know what happened to Mr. Reckendorfer but I do know that by the 1920s, almost every pencil sold in the US had a rubber eraser attached to one end.<sup>8</sup>

References to protecting intellectual property through a patent system date back to the fourth century B.C., when Aristotle condemned a proposal by Hippodamus of Miletos to reward inventors for their discoveries.<sup>9</sup> After Aristotle, there are few references to patents until the beginning of the Renaissance era.<sup>10</sup> In the late 15<sup>th</sup> century, Venice adopted the Statute of 1474, which required inventors seeking to obtain protection for their invention to report their inventions to the Republic.<sup>11</sup> In the following 100 years, as trade throughout Europe increased, most European countries including England and France developed their own patent systems.<sup>12</sup> By the 18<sup>th</sup> century, the concept of protecting and promoting new inventions was so well ingrained in commercial culture that our founding fathers included Article 1 Section 8 (8) in the U.S. Constitution granting Congress the authority to “promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”<sup>13</sup>

Today, 225 years after the Constitution was drafted, we can look back and see how the protection of individual property through our patent system has helped our country grow. In 2012 alone, there were more than 576,763 U.S. patents applications filed and 276,788 patents issued.<sup>14</sup> These numbers don’t include the tens of thousands of patents that are bought sold and licensed in the private market each year. Not surprisingly, an ever-increasing number of patents are challenged through litigation. In 2012, almost 5000 patent infringement cases were filed.<sup>15</sup>

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<sup>6</sup> HENRY PETROSKI, *THE PENCIL* 85, 287 (1989). The A. W. Farber Company, along with Dixon, Eagle and American, would later constitute the “Big Four” in pencil making worldwide. Kaspar Farber, a German craftsman began making pencils in Stein, Germany in 1760. His son, Anton Wilhelm, took over upon Kaspar’s death in 1784 and became the namesake for the A.W. Farber Company.

<sup>7</sup> *Reckendorfer v. Faber*, 92 U.S. 347 (1875).

<sup>8</sup> Kennedy, *supra* note 2, at 25.

<sup>9</sup> ROBERT PATRICK MERGES & JOHN FITZGERALD DUFFY, *PATENT LAW AND POLICY: CASES AND MATERIALS* 1 (5th ed., 2011). Aristotle believed that recognition of the individual would encourage innovation too rapidly, which ultimately, would weaken the state. *Id.*

<sup>10</sup> The historian Maximilian Frumkin cites a reference to an exclusive privilege for dyeing cloth in the Byzantium Empire during the 12<sup>th</sup> Century. *Id.* at n.3 (citing Maximilian Frumkin, *Early History of Patents for Inventions*, 26 *TRANS. NEWCOMEN SOC.* 47 (1947)).

<sup>11</sup> Merages and Duffy, *supra* note 9, at 3.

<sup>12</sup> *Id.* at 4.

<sup>13</sup> U.S. CONSTITUTION, Art. I, § 8(8).

<sup>14</sup> U.S. PATENT & TRADEMARK OFFICE, *U.S. Patent Statistics Chart Calendar Years 1963 - 2012*, [http://www.uspto.gov/web/offices/ac/ido/oiiep/taf/us\\_stat.htm](http://www.uspto.gov/web/offices/ac/ido/oiiep/taf/us_stat.htm) (2013). The increase in patent application and grants has been staggering just in the past 50 years. In 1963, for example there were less than 91,000 patent applications and less than 49,000 patents granted.

<sup>15</sup> See Chris Barry et. al., *2013 Patent Litigation Study*, PRICEWATERHOUSECOOPERS LLP (2013), [http://www.pwc.com/en\\_US/us/forensic-services/publications/assets/2013-patent-litigation-study.pdf](http://www.pwc.com/en_US/us/forensic-services/publications/assets/2013-patent-litigation-study.pdf). The number of infringement cases filed in 2012 is up 29% from 2011 and nearly double the number of case filed in 2009. *Id.*

Litigation expenses can easily cost each party in a dispute millions of dollars, not including the social cost of such litigation.

With this increasing number of new patents, and resulting patent disputes, and the extreme costs in prosecuting or defending a patent, it is essential that we develop faster, fairer and more efficient, alternatives to resolve patent disputes. And that is what we are addressing here today at this symposium.

In 1984, the Center for the Study of Dispute Resolution started with a mission to teach law students and lawyers comprehensive, fair and efficient ways to resolve legal disputes. In the past 30 years, the Center has been among the top-ranked dispute resolution program in the nation. The law school's Journal of Dispute Resolution was the first law-school journal dedicated to the field of dispute resolution and, in 2001, the University of Missouri School of Law became the first law school to grant an LL.M. degree in dispute resolution. Throughout the past 30 years, our Center faculty has produced cutting edge scholarship on dispute resolution and has developed innovative ways to teach dispute resolution in law school curriculum.

In the coming year, the University of Missouri School of Law will establish a new Center on Intellectual Property Entrepreneurship and Innovations. This symposium is, in many ways, the kick-off event for this new center, highlighting two strengths of the University of Missouri School of Law and initiating future collaboration, research, and scholarship in the areas of dispute resolution and intellectual property. So, let's talk about the symposium and what you can expect for the rest of the day.<sup>16</sup>

Each industry has its own unique demands on the intellectual property system and therefore, has differing needs in developing fair and efficient dispute resolution mechanisms to address the inevitable conflicts that will arise. The first session in today's Symposium, is entitled *Disputes with an Industry Focus* and will explore dispute resolution processes in the telecommunication and pharmaceutical sectors. Dean Gary Myers will moderate the panel.<sup>17</sup>

Professor Jorge Contreras<sup>18</sup> will focus on the telecommunication industry and the need for companies with standard-setting obligations to provide licensing agreements that are fair, reasonable and nondiscriminatory (FRAND).<sup>19</sup> Professor Contreras will focus on the recent Order and Decision by the FTC in *In the Matter of Motorola Mobility LLC and Google, Inc.*<sup>20</sup> in which the question arises as to whether it is permissible under Section 5 of the Federal Trade Commission Act<sup>21</sup> to seek immediate injunctive relief when there are FRAND commitments in play. The FTC held that patent holders with FRAND commitments must seek arbitra-

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<sup>16</sup> For a video of the Symposium, see J. DISP. RESOL. SYMPOSIUM, <http://law.missouri.edu/csdr/symposium/2013/> (last visited Apr. 1, 2014).

<sup>17</sup> Gary Myers is the Dean and Earl F. Nelson Professor of Law at the University of Missouri School of Law.

<sup>18</sup> Associate Professor of Law at American University Washington College of Law.

<sup>19</sup> In the telecommunications industry, it is essential that there be compatibility and interoperability across product lines that require using patented technology. For example, an iPhone user needs her phone to interact with WiFi to get full use of the phone's capabilities. Accordingly, there are standard-setting organizations that require its members to create fair, reasonable and non-discriminatory (FRAND) licensing agreements that cover the use of the patented technology so the manufacturers can ensure interoperability.

<sup>20</sup> *Motorola Mobility LLC and Google, Inc.*, 2013 WL 3944149 (F.T.C.) (July 24, 2013).

<sup>21</sup> 15 U.S.C. § 45.

tion at least 60 days prior to seeking injunctive relief.<sup>22</sup> Professor Contreras, in his presentation and in a subsequent article,<sup>23</sup> will raise intriguing questions about the scope of such arbitrations. For example, will the scope of the arbitration proceedings be limited to determining FRAND rates or can they address the broader issues of essentiality, validity, common-law fraud, or antitrust concerns? Professor Contreras will also raise questions about the preclusive effects of arbitration given the generally confidential nature of arbitration hearings.

Kevin Noonan's<sup>24</sup> remarks will focus on the pharmaceutical industry and the ongoing patent infringement battles between brand-name pharmaceutical companies and their generic competitors. More specifically, Mr. Noonan will argue that the Supreme Court's recent decision in *FTC v. Actavis, Inc. et.al.*<sup>25</sup> creates a balancing test between patent and anti-trust interests that makes the validity of negotiated agreements unpredictable in the shadow of possible FTC anti-trust actions. Mr. Noonan will suggest that companies seeking to avoid the high cost of litigation, and the unpredictability of their negotiated agreements will seek more creative measures to avoid these pitfalls. Specifically, Mr. Noonan will suggest that a possible end result of *Actavis* will be that brand-name pharmaceutical companies will create their own generics to compete with, and undercut, the generic market created by potential infringers. In doing so, the companies will forfeit the additional profits they will earn by selling exclusive, patent-protected products but they will save even more money by foregoing expensive infringement enforcement actions.

In the second session, entitled *Practical Issues of Resolving Disputes before the USPTO*, practitioners Jaron Brunner<sup>26</sup> and Matthew Smith<sup>27</sup> will discuss their experiences representing parties during the patent application process and post-grant proceedings. This session will be moderated by Anne Craig.<sup>28</sup> Mr. Brunner will posit that attorneys filing patent applications should adopt a principled, or problem solving, approach in their negotiations with patent examiners, such that the interests of both sides are contemplated.<sup>29</sup> Mr. Brunner will argue that this approach is especially well-suited to the Track 1 processes recently adopted by the USPTO.<sup>30</sup>

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<sup>22</sup> Motorola Mobility LLC and Google, Inc., 2013 WL 3944149, at § IV (B).

<sup>23</sup> Jorge Contreras, *Developing a Framework for Arbitrating Standards-Essential Patent Disputes*, 2014 J. DISP. RESOL. 23 (2014).

<sup>24</sup> Kevin Noonan is a partner at McDonnell, Boehnen Hulbert & Bergdorff LLP in Chicago, Illinois and founder and editor of Patent Docs, a biotech and pharma patent law and news blog.

<sup>25</sup> 133 S. Ct. 2223 (2013).

<sup>26</sup> Brunner, a former patent examine for the USPTO, is an associate in the Seattle, Washington firm of Davis, Wright Tremaine, LLP.

<sup>27</sup> Smith is a partner in the Mountain View, California firm of Turner Boyd, LLP.

<sup>28</sup> Craig is the Director of Intellectual Property at Harvard University.

<sup>29</sup> Jaron Brunner, *Patent Prosecution as Dispute Resolution: A Negotiation Between Applicant and Examiner*, 2014 J. DISP. RESOL. 7 (2014). See ROGER FISHER, WILLIAM URY, & BRUCE PATTON, *GETTING TO YES* (2d. ed., 1991). In *Getting to Yes*, principled bargaining is defined as a process that focuses on seeking a "win-win" resolution by focusing on the needs of the various parties rather than their demands. This is done by 1) separating the people from the problem; 2) focusing on the interests, not the positions; 3) separating option generation from decision making; and 4) using objective criteria to analyses the options. *Id.* at 10-11.

<sup>30</sup> Track 1 is a prioritized patent examination system set up by the USPTO Office pursuant to the America Invents Act of 2011. For more information regarding the Track 1 process, see *USPTO's Prioritized Patent Examination Program*, U.S. PATENT & TRADEMARK OFFICE, [http://www.uspto.gov/patents/init\\_events/Track\\_One.jsp](http://www.uspto.gov/patents/init_events/Track_One.jsp) (last visited Apr. 1, 2014).

Matthew Smith's remarks will focus on "inner party review actions" in which patent officers facilitate discussions between two parties regarding the validity of a patent.<sup>31</sup> Smith will suggest that this dispute resolution process, which was designed to be a faster, cheaper alternative to litigation, has only been successful in the narrow range of cases where the disputing parties are direct competitors and the disputed amount is relatively small. However, Mr. Smith is not ready to give-up on this relatively new process as he believes that, in time, and with some tinkering, the inner party review process will be an effective tool to resolve patent disputes in a timely, efficient manner.

The third session, entitled *Transparency*, asserts that there is a strong public interest in ensuring the accessibility and transparency of the patent application and enforcement process. Unfortunately, as we will learn today, an open and accessible patent process is an ideal that does not always exist in practice. In this third session, moderated by Professor Yvette Liebesman,<sup>32</sup> Professors Bernard Chao<sup>33</sup> and Dennis Crouch<sup>34</sup> will focus on the lack of public access in both litigation and administrative proceedings, respectively.

In his presentation and subsequent article,<sup>35</sup> Professor Chao will talk about an article he was intending to write that required him to review court documents in five recent patent infringement cases that had been filed in various courts throughout the country. Professor Chao quickly learned that his access to those cases was limited; most of the documents he sought were under seal at the joint request of the parties. Professor Chao will argue that sealing these files is an affront to the public's right to this information and that district courts need to be more vigilant in protecting this right as they consider motions that maintain secrecy.

Professor Crouch will address the lack of transparency in the patent application process by focusing on three practices that limit public dissemination of patent applications and grants. First, he will note that patent applications are drafted to easily hide ownership information regarding the patent. He will then explore the interplay between the information withheld for trade secret purposes and the public information provided in patent applications and grants. Finally, Professor Crouch will highlight how information in a patent application can be "hidden in plain view" by using intentionally ambiguous or broad language throughout the patent application.

Greg Gorder, Founder and Vice Chairman of Intellectual Ventures Management, LLC, a privately-held capital company with more than 40,000 IP assets in active monetization programs,<sup>36</sup> will give the Symposium's keynote address. In

<sup>31</sup> See Changes to Implement Inter Partes Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents, 77 Fed. Reg. 48680 (Aug. 14, 2012) (to be codified in 37 C.F.R. pt. 42). Inner party reviews are proceeding conducted at the USPTO Board to review the patentability of one or more claims in a patent only on a ground that could be raised under §§ 102 or 103, and only on the basis of prior art consisting of patents or printed publications. See also *Inter Partes Disputes*, U.S. PATENT & TRADEMARK OFFICE, [http://www.uspto.gov/aia\\_implementation/bpai.jsp](http://www.uspto.gov/aia_implementation/bpai.jsp) (last visited Apr. 1, 2014).

<sup>32</sup> Liebesman is an Assistant Professor at St. Louis University School of Law.

<sup>33</sup> Chao is an Assistant Professor at the University of Denver Sturm College of Law.

<sup>34</sup> Crouch is an Associate Professor of Law at the University of Missouri School of Law.

<sup>35</sup> Bernard Chao & Derigan Silver, *A Case Study in Patent Litigation Transparency*, 2014 J. DISP. RESOL. 87 (2014).

<sup>36</sup> See Intellectual Ventures, *Investor Relations*, <http://www.intellectualventures.com/about/investor-relations>.

his presentation, Mr. Gorder will argue that an “invention gap” between the number of patents owned by a manufacturer and the number it needs to manufacture its products is too great for our traditional litigation model to handle. Rather, he will advocate that an “invention economy” using non-practicing entities (NPE) such as Intellectual Ventures, is better able to create economic markets -- with buyers, sellers and investors -- that protect and encourage innovation.

This will be a fascinating day. Again, I want to thank the participants for sharing their thoughts with us today. I also want to thank, Dean Gary Meyer and our amazing law school staff. I especially want to thank Laura Coleman, Karen Neylon, and Casey Baker for their work behind the scenes. Finally, I want to thank the Journal of Dispute Resolution staff, especially Editor-in-Chief, Rachel Hirshberg, and Associate Editor-in-Chief, Jessica Coghill for their work on this Symposium and the work they will do in preparing the 2014 Symposium Edition of the Journal. Thank you.